

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name LEONIDAS TOWNSHIP	County ST. JOSEPH
Audit Date 6/30/05	Opinion Date 5/25/05	Date Accountant Report Submitted to State: 7/19/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☒ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☒ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed		
	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Foote and Lloyd, C.P.A.s			
Street Address Two West Michigan, Suite 210	City Battle Creek	State MI	ZIP 49017-3621
Accountant Signature <i>Charles W. Foote</i>		Date 12/9/04	

**LEONIDAS TOWNSHIP
ST. JOSEPH COUNTY, MICHIGAN**

**REPORT OF AUDIT
AS OF
JUNE 30, 2004**

**FOOTE and LLOYD
CERTIFIED PUBLIC ACCOUNTANTS
BATTLE CREEK, MICHIGAN**

**LEONIDAS TOWNSHIP
ST. JOSEPH COUNTY, MICHIGAN**

JUNE 30, 2004

OFFICIARY

Thomas Hughes	Supervisor
Donald Overholt	Clerk
Sharon Heath	Treasurer
Leonard Lux	Trustee
Clyde McLaughlin	Trustee

Population 1,239 (2000)

Taxable Valuation

\$23,519,177

LEONIDAS TOWNSHIP

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AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

MICHIGAN ASSOCIATION
CERTIFIED PUBLIC ACCOUNTANTS

*FLORIDA INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Township of Leonidas
St. Joseph County, Michigan

We have audited the general purpose financial statements of Leonidas Township, St. Joseph County, Michigan, as of and for the year ended June 30, 2004, as listed in the table of contents. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and including those prescribed by the State Treasurer. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Leonidas Township, St. Joseph County, Michigan, as of June 30, 2004, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The administration's discussion and analysis and budgetary comparison information on pages 2 through 3 and 19 are not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consists principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining, individual fund, and the individual account group financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of Leonidas Township, St. Joseph County, Michigan. Such information has been subjected to the auditing procedures applied in the examination of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Foote and Lloyd

CERTIFIED PUBLIC ACCOUNTANTS

Battle Creek, Michigan
May 25, 2005

LEONIDAS TOWNSHIP
Management's Discussion and Analysis

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

The Township as a Whole

In a condensed format, the table below shows net assets as of fiscal year-end:

	Governmental Activities 6-30-04	6-30-03 (None Available)
Current Assets	229,023	
Noncurrent Assets	<u>337,290</u>	
Total Assets	566,313	
Debt	227,130	
Other Liabilities	<u>2,262</u>	
Total Liabilities	229,392	
Net Assets		
Invested in Capital Assets - Net of Debt	131,733	
Restricted for Perpetual Care	0	
Unrestricted	<u>205,188</u>	
Total Net Assets	<u>336,921</u>	

A comparative analysis will be provided in future years when prior year information is available.

The following table shows the changes of the net assets:

	Governmental Activities 6-30-04	6-30-03 (None Available)
Program Revenues		
Charges for Services	3,435	
Operating Grants and Contributions	4,229	
Capital Grants and Contributions	105,000	

LEONIDAS TOWNSHIP
Management's Discussion and Analysis
Page 2

General Revenues		
Property Taxes	118,749	
State-Shared Revenues	93,684	
Unrestricted Investment Earnings	2,281	
Miscellaneous	72,536	
Transfers	<u>10</u>	
Total Revenues	399,924	
		Governmental Activities
		6-30-04 6-30-04
		(None
		Available)
Program Expenses		
General Government	134,656	
Public Safety	193,826	
Public Works	12,578	
Health and Welfare	5,366	
Recreation and Culture	<u>1,022</u>	
Total Expenses	<u>347,448</u>	
Change in Net Assets	<u>52,476</u>	

Our local unit's financial position has not deteriorated during the past year despite cuts in state revenue sharing funds and increases in the cost of providing services.

At this time, we think that these factors should not impact future services, and our unit will probably not have a significant change in its financial position.

There were no significant changes in the tax base during the year. There were no tax abatements or commercial growth.

There were no significant variances between the original budget and the final budget. Variances between the final budget and the actual results were due largely to the inclusion of purchases of fire department supplies financed by grants and capital assets in the actual results, but leaving them out of the budget.

The township has long-term debts totaling \$227,130.

The township has no infrastructure.

LEONIDAS TOWNSHIP
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
JUNE 30, 2004

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and Cash Equivalents	173,677	-	173,677
Receivables - Net	55,346	-	55,346
Capital Assets - Net	<u>337,290</u>	<u>-</u>	<u>337,290</u>
Total Assets	566,313	-	566,313
Liabilities			
Accounts Payable	2,262		2,262
Notes Payable	<u>227,130</u>	<u>-</u>	<u>227,130</u>
Total Liabilities	229,392	-	229,392
Net Assets			
Invested in Capital Assets			
Net of Related Debt	131,733	-	131,733
Restricted for			
Capital Projects	-	-	-
Unrestricted	<u>205,188</u>	<u>-</u>	<u>205,188</u>
Total Net Assets	<u>336,921</u>	<u>-</u>	<u>336,921</u>

The Notes to Financial Statements are an integral part of this statement.

LEONIDAS TOWNSHIP
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2004

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>		<u>Total</u>
		<u>Charges for Services</u>	<u>Operating</u>	<u>Capital</u>	<u>Governmental Activities</u>	<u>Primary Government</u>	
			<u>Grants and Contributions</u>	<u>Grants and Contributions</u>		<u>Business - Type Activities</u>	
Primary Government							
General Government	134,656	3,435			(131,221)		(131,221)
Public Safety	193,826		4,229	105,000	(84,597)		(84,597)
Public Works	12,578				(12,578)		(12,578)
Health and Welfare	5,366				(5,366)		(5,366)
Recreation and Culture	<u>1,022</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,022)</u>	<u>-</u>	<u>(1,022)</u>
Total Governmental Activities	347,448	3,435	4,229	105,000	(234,784)	-	(234,784)
on Business Type-Activities							
None	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>347,448</u>	<u>3,435</u>	<u>4,229</u>	<u>105,000</u>	(234,784)	-	(234,784)
General Revenues							
Property Taxes				118,749	-	118,749	
State-Shared Revenues				93,684	-	93,684	
Unrestricted Investment Earnings				2,281	-	2,281	
Miscellaneous				72,536	-	72,536	
Transfers				<u>10</u>	<u>-</u>	<u>10</u>	
Total General Revenues--Special Items and Transfers				<u>287,260</u>	<u>-</u>	<u>287,260</u>	
Change in Net Assets				52,476	-	52,476	
Net Assets - Beginning				<u>284,445</u>	<u>-</u>	<u>284,445</u>	
Net Assets - Ending				<u>336,921</u>	<u>-</u>	<u>336,921</u>	

The Notes to Financial Statements are an integral part of this statement.

**LEONIDAS TOWNSHIP
GOVERNMENTAL FUND BALANCE SHEET
JUNE 30, 2004**

	General Fund	Fire & Ambulance Fund	Total Governmental Funds
Assets			
Cash and Cash Equivalents	104,255	69,422	173,677
Receivables - Net	54,885	-	54,885
Due from Tax Fund	<u>461</u>	<u>-</u>	<u>461</u>
Total Assets	159,601	69,422	229,023
Liabilities			
Accounts Payable	<u>2,197</u>	<u>65</u>	<u>2,262</u>
Total Liabilities	2,197	65	2,262
Fund Balances			
Reserved for Capital Projects	-	-	0
Undesignated	<u>157,404</u>	<u>69,357</u>	<u>226,761</u>
Total Fund Balances	<u>157,404</u>	<u>69,357</u>	<u>226,761</u>

Amounts reported for governmental activities in the statement of net assets are different because:

*Capital assets used in governmental activities are not financial resources and are not reported in the funds. 337,290

* Long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported in the funds. (227,130)

Net Assets of Governmental Activities 336,921

The Notes to Financial Statements are an integral part of this statement.

**LEONIDAS TOWNSHIP
GOVERNMENTAL FUND STATEMENT OF REVENUE,
EXPENDITURES AND CHANGES IN FUND BALANCE
FISCAL YEAR ENDED JUNE 30, 2004**

	General Fund	Fire & Ambulance Fund	Total Governmental Funds
Revenues			
Taxes and Penalties	41,170	77,579	118,749
State-Shared Revenues	93,684		93,684
Federal Grant		105,000	105,000
State Grant		1,400	1,400
Charges for Services	3,200		3,200
Rentals	235		235
Interest	1,171	1,110	2,281
Other Revenue	<u>72,536</u>	<u>2,829</u>	<u>75,365</u>
Total Revenues	211,996	187,918	399,914
Other Financing Sources			
Loan Proceeds		213,000	213,000
Expenditures			
Current			
General Government	125,923		125,923
Public Safety	10,240	179,286	189,526
Public Works	12,578		12,578
Health and Welfare	5,366		5,366
Recreation & Culture	1,022		1,022
Capital Outlay	<u>-</u>	<u>210,000</u>	<u>210,000</u>
Total Expenditures	155,129	389,286	544,415
Excess of Revenues Over (Under)			
Expenditures & Other Financing			
Sources (Uses)	56,867	11,632	68,499
Transfers In	10		10
Transfers (Out)	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Revenue and Other			
Sources Over (Under) Expenditures			
and Other Uses	56,877	11,632	68,509
Fund Balance - Beginning of Year	<u>100,527</u>	<u>57,725</u>	<u>158,252</u>
Fund Balance - End of Year	<u><u>157,404</u></u>	<u><u>69,357</u></u>	226,761

The Notes to Financial Statements are an integral part of this statement.

**LEONIDAS TOWNSHIP
GOVERNMENTAL FUND STATEMENT OF
REVENUE, EXPENDITURES AND CHANGES IN
FUND BALANCE
PAGE -2-**

Amounts reported for governmental activities in the statement of activities are different because:

*Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation.

337,290

*Note proceeds provide current financial resources to governmental funds, but taking on this debt increases long-term liabilities in the statement of net assets. Repayment of note principal is an expenditure in the government funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds exceeded repayments.

(227,130)

Change in Net Assets of Governmental Activities

336,921

The Notes to Financial Statements are an integral part of this statement.

LEONDIAS TOWNSHIP
FIDUCIARY FUNDS - STATEMENT OF NET ASSETS
JUNE 30, 2004

	Cemetery Perpetual Care Funds	Agency Fund Type (Property Tax Collection Fund)
Assets		
Cash and Cash Equivalents	<u>700</u>	<u>3,508</u>
Total Assets	700	3,508
Liabilities		
Due to Other Funds	-	461
Due to Other Governmental Units	<u>-</u>	<u>3,047</u>
Total Liabilities	<u>-</u>	<u>3,508</u>
Net Assets	<u><u>700</u></u>	

The Notes to Financial Statements are an integral part of this statement.

LEONIDAS TOWNSHIP
FIDUCIARY FUNDS - STATEMENT OF CHANGES IN NET ASSETS
FISCAL YEAR ENDED JUNE 30, 2004

	<u>Cemetery Perpetual Care Fund</u>
Additions	
Lot Sales	<u>-</u>
Total Sales	-
Investment Income	
Interest	<u>10</u>
Total Investment Income	<u>10</u>
Total Additions	10
Deductions	
Transfer to Other Fund	<u>10</u>
Change in Net Assets	-
Net Assets - Beginning of Year	<u>700</u>
Net Assets - End of Year	<u>700</u>

The Notes to Financial Statements are an integral part of this statement.

**LEONIDAS TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the local Governmental Unit conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Local Governmental Unit:

A. Reporting Entity

The Township was organized in 1831 and covers an area of 36 square miles. The Township operates under an elected board of five members and provides services to its almost 1,300 residents in many areas including fire protection and road maintenance. In accordance with the pronouncements of GASB, certain other governmental organizations are not considered to be part of the Township entity for financial reporting purposes. The criteria established by GASB for determining the various governmental organizations to be included in the reporting entity's financial statements include oversight responsibility, scope of public service, and special financing relationships. On this basis, the financial statements of certain other governmental organizations listed below are not included in the financial statements of the Township. Education services are provided to citizens through several local school districts which are separate governmental entities.

Blended Component Units - There are no blended component units.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All of the governmental funds are major funds.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**LEONIDAS TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Summer property taxes are levied on each July 1st on the taxable valuation of property as of the preceding December 31st. Those taxes are considered delinquent on September 14th following, at which time penalties and interest are assessed. Winter property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Those taxes are considered delinquent on February 14th following, at which time penalties and interest are assessed.

The 2003 taxable valuation of the Township totaled \$25,815,281, on which ad valorem taxes levied consisted of .9503 mills for the Township operating purposes, 1.6051 for fire and ambulance services and 1.4000 for a fire truck. These amounts are recognized in the respective financial statements as receivables - net or as taxes and penalties revenue.

All other revenue items are considered to be available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

There is also one Special Revenue Fund as follows:

The Ambulance and Fire Fund accounts for the operation and maintenance of the providing of fire protection and ambulance services and for all related revenues.

D. Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds.” Any residual balances outstanding between the governmental activities and any business-type activities are reported in the government-wide financial statements as “internal balances.”

**LEONIDAS TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories and Prepaid Items - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets - Capital assets, which include property, plant, equipment, infrastructure assets (e.g. roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$2,500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimates historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current year, no interest expense was capitalized as part of the cost of assets under construction.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings & Improvements	20 to 40 years
Vehicles	25 years
Equipment	2 to 10 years

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The differences between the government-wide and fund financial statements are reconciled as shown at the bottom of the fund financial statements.

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a line item basis. The approved budgets of the Township for these budgetary funds were adopted to the line item level and were amended as needed for specific line items, but not for the budget as a whole.

During the year ended June 30, 2004, the Township incurred expenditures in no budgetary funds which were in excess of the amounts appropriated.

**LEONIDAS TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004**

NOTE 4 - DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the local governmental unit to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Local Governmental Unit Council has designated five banks for the deposit of Local Unit funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of State statutory authority as listed above.

The Local Governmental Unit's deposits and investment policy are in accordance with statutory authority.

At year-end, the Local Unit's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
Cash and Cash				
Equivalents	173,677	0	0	173,677
Investments	0	0	0	0
Restricted Assets	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>173,677</u>	<u>0</u>	<u>0</u>	<u>173,677</u>

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>
Bank Deposits (checking and savings accounts, certificates of deposit)	173,677
Investments in Securities, Mutual Funds and Similar Vehicles	0
Petty Cash and Cash on Hand	<u>0</u>
Total	<u>173,677</u>

The bank balance of the primary government's deposits is \$173,517, of which \$144,793 is covered by federal depository insurance and \$0 is collateralized.

**LEONIDAS TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004**

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

Investments are categorized into these three categories of credit risk:

1. Insured or registered, or securities held by the Local Government Unit or its agent in the government's name;
2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the government's name; and
3. Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Local Governmental Unit's name.

At year-end, the government held no investments except cash and cash equivalents.

NOTE 5 - RECEIVABLES

Receivables as of year-end for the government's individual major and nonmajor funds, and the internal service and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General Fund</u>	<u>Fire & Ambulance Fund</u>	<u>Total</u>
Taxes Receivable	54,885		54,885
Intergovernmental	461		461
Interest and Other	<u>0</u>		<u>0</u>
Gross Receivables	55,346	<u>0</u>	55,346
Less: Allowance for Uncollectible	<u>0</u>	<u>0</u>	<u>0</u>
Net Receivables	<u><u>55,346</u></u>	<u><u>0</u></u>	<u><u>55,346</u></u>

Government funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent Property Taxes	0	0
Special Assessments	0	0
Grant Drawdowns Prior to Meeting all Eligibility Requirements	<u>0</u>	<u>0</u>
Total	<u><u>None</u></u>	<u><u>None</u></u>

LEONIDAS TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 6 - CAPITAL ASSETS

Capital asset activity of the primary government for the current year was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<i>Governmental Activities</i>				
Capital Assets Not Being Depreciated				
Land	12,800	0	0	12,800
Construction in Progress	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal	12,800	0	0	12,800
Capital Assets Being Depreciated				
Buildings	80,000	0	0	80,000
Equipment	16,200	0	0	16,200
Vehicles	<u>55,000</u>	<u>210,000</u>	<u>0</u>	<u>265,000</u>
Subtotal	151,200	210,000	0	361,200
Less: Accumulated Depreciate for				
Buildings	12,344	2,075	0	14,419
Equipment	5,800	7,358	0	13,158
Vehicles	<u>5,533</u>	<u>3,600</u>	<u>0</u>	<u>9,133</u>
Subtotal	<u>23,677</u>	<u>13,033</u>	<u>0</u>	<u>36,710</u>
Net Capital Assets Being Depreciated	<u>127,523</u>	<u>196,967</u>	<u>0</u>	<u>324,490</u>
Governmental Activities Capital Total				
Capital Assets - Net of Depreciation	<u>140,323</u>	<u>196,967</u>	<u>0</u>	<u>337,290</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities	
Unallocated	<u>13,033</u>
Total Governmental Activities	<u>13,033</u>

**LEONIDAS TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004**

NOTE 7 - LONG TERM DEBT

The following is a summary of the debt outstanding of the Township of Leonidas as of June 30, 2004:

Bank Note – For purchase of Tanker Fire Truck – Original Date 6/15/2000; Interest 6.5%, Original Amount \$24,000, Maturity Date 6/15/2005.

The annual principal and interest requirements as of June 30, 2004, are as follows:

<u>Due Date</u>	<u>Principal</u>	<u>Interest</u>
6/15/05	11,168	1,952

Bank Note - For road Improvement - Original Date 11/13/2002; Interest 4.75%; Original Amount \$32,163; Maturity Date 8/1/2005.

The annual principal and interest requirements as of June 30, 2004, are as follows:

<u>Due Date</u>	<u>Principal</u>	<u>Interest</u>
8/01/04	10,721	1,049
8/1/05	<u>10,721</u>	<u>1,049</u>
Totals	21,442	2,098

Bank Note - For Pumper Fire Truck - Original Date 9/23/2003; Interest 5%; Original Amount \$213,000; Maturity Date 9/25/2010

The monthly principal and interest requirements as of June 30, 2004, are shown per year as follows:

<u>Fiscal Year End</u>	<u>Principal</u>	<u>Interest</u>
6/30/05	30,428	5,784
6/30/06	30,428	5,784
6/30/07	30,428	5,784
6/30/08	30,428	5,784
6/30/09	30,428	5,784
6/30/10	30,428	5,784
6/30/11	<u>11,821</u>	<u>2,247</u>
Totals	194,389	36,951

Permission from the State of Michigan was not obtained for any of the above loans.

**LEONIDAS TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004**

NOTE 8 - RISK MANAGEMENT

The Township's insurance for Workers' Compensation, General Liability and Property Loss and Fleet insurance is carried by an insurance company. The Township is not self-insured other than for minimal deductibles. No known material claims are outstanding. Insurance coverage is substantially the same as in previous years.

NOTE 9 - USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

NOTE 10 - CONSTRUCTION PERMIT FEES

The Township did not charge inspection fees. The inspections were made by another entity. None of the inspection fees were retained by the Township as they were paid to the inspector. Therefore, there is no fund balance for such activities.

Required Supplemental Information

**LEONIDAS TOWNSHIP
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (MAJOR SPECIAL REVENUE FUNDS)
FISCAL YEAR ENDED JUNE 30, 2004**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Beginning of Year Fund Balance	158,252	158,252	158,252	-
Resources (Inflows)				
Property Taxes	33,734	33,734	118,749	85,015
State-Shared Revenues	92,000	92,000	93,684	1,684
Interest	3,600	3,600	2,281	(1,319)
Rentals	750	750	235	(515)
Charges for Services	3,200	3,200	3,200	-
Other	228,687	228,687	394,765	166,078
Transfer from Fiduciary Fund	<u>2,000</u>	<u>2,000</u>	<u>10</u>	<u>(1,990)</u>
Amounts Available for Appropriation	522,223	522,223	771,176	248,953
Charges to Appropriations (Outflows)				
General Government				
Township Board	53,978	55,559	33,415	22,144
Board of Review	2,000	2,000	2,174	(174)
Supervisor	7,200	7,200	7,200	-
Treasurer	7,650	7,650	7,658	(8)
Assessing	11,500	11,500	9,852	1,648
Clerk	7,650	7,650	7,648	2
Elections	1,000	1,000	729	271
Cemetery	19,525	19,525	16,331	3,194
Buildings and Grounds	23,000	23,000	21,706	1,294
Zoning	26,315	26,315	19,210	7,105
Public Safety				
Fire	74,144	74,144	399,526	(325,382)
Health and Welfare				
EMS	5,366	5,366	5,366	-
Public Works				
Street & Sidewalk Maintenance	25,250	23,669	8,989	14,680
Street Lights	4,000	4,000	3,589	411
Recreation and Culture				
Summer Recreation	222	222	222	-
Library	<u>800</u>	<u>800</u>	<u>800</u>	<u>-</u>
Total Charges to Appropriations	<u>269,600</u>	<u>269,600</u>	<u>544,415</u>	<u>(274,815)</u>
Budgetary Fund Balance - End of Year	<u>252,623</u>	<u>252,623</u>	<u>226,761</u>	<u>(25,862)</u>

The Notes to Financial Statements are an integral part of this statement.

Additional Information

**LEONIDAS TOWNSHIP
DETAILED SCHEDULE OF EXPENDITURES - BUDGET & ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	Budget	Actual	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
GENERAL GOVERNMENT			
Township Board			
Trustee Salaries	2,000	2,043	
Mileage	2,500	1,539	
Office & Other	8,415	6,114	
Dues & Fees	4,800	3,367	
Insurance	13,753	13,753	
Legal & Auditing	15,775	2,503	
Payroll Taxes	2,500	2,672	
Capital Outlay	<u>5,816</u>	<u>1,424</u>	
Total	55,559	33,415	22,144
Supervisor/Assessor			
Salary	7,200	7,200	
Assessments	<u>11,500</u>	<u>9,852</u>	
Total	18,700	17,052	1,648
Elections			
Wages	1,000	729	271
Clerk			
Salary	7,200	7,200	
Deputy	<u>450</u>	<u>448</u>	
Total	7,650	7,648	2
Treasurer			
Salary	7,200	7,200	
Deputy	<u>450</u>	<u>458</u>	
Total	7,650	7,658	(8)
Board of Review			
Salaries	1,700	1,990	
Other	<u>300</u>	<u>184</u>	
Total	2,000	2,174	(174)
Township Hall			
Utilities	5,000	4,691	
Repairs & Maintenance	<u>18,000</u>	<u>17,015</u>	
Total	23,000	21,706	1,294

The Notes to Financial Statements are an integral part of this statement.

LEONIDAS TOWNSHIP
DETAILED SCHEDULE OF EXPENDITURES -
BUDGET & ACTUAL
Page -2-

	Budget	Actual	Variance Favorable (Unfavorable)
GENERAL GOVERNMENT - Continued			
Cemetery			
Sexton Salary	8,400	8,400	
Burials	2,000	3,350	
Memorial Day	600	482	
Repairs & Maintenance	3,000	1,456	
Other	525	-	
Capital Outlay	<u>5,000</u>	<u>2,643</u>	
Total	19,525	16,331	3,194
Zoning			
Wages	1,800	1,800	
Other	<u>24,515</u>	<u>17,410</u>	
Total	<u>26,315</u>	<u>19,210</u>	7,105
Total General Government	161,399	125,923	35,476
PUBLIC WORKS			
Roads & Sidewalks	23,669	8,989	
Road Signs	-	-	
Street Lights	<u>4,000</u>	<u>3,589</u>	
Total	27,669	12,578	15,091
HEALTH & WELFARE			
Ambulance Service	<u>5,366</u>	<u>5,366</u>	
Total	5,366	5,366	-
PUBLIC SAFETY			
Fire Equipment Maintenance	11,000	10,240	
Fire Capital Outlay	<u>-</u>	<u>-</u>	
Total	11,000	10,240	760
RECREATION & CULTURAL			
Summer Recreation	222	222	
Library	<u>800</u>	<u>800</u>	
Total	1,022	1,022	-

The Notes to Financial Statements are an integral part of this statement.

**LEONIDAS TOWNSHIP
DETAILED SCHEDULE OF EXPENDITURES -
BUDGET & ACTUAL
Page -3-**

	Budget	Actual	Variance Favorable (Unfavorable)
DEBT SERVICE			
Principal Payments	-	-	
Interest	-	-	-
Total	-	-	-
 GRAND TOTAL	 <u>206.456</u>	 <u>155.129</u>	 <u>51.327</u>

The Notes to Financial Statements are an integral part of this statement.

**LEONIDAS TOWNSHIP
SCHEDULE OF CHANGES IN ASSETS & LIABILITIES
TRUST & AGENCY FUND - TAX COLLECTION FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	Balance 7/1/2003	Additions	Deductions	Balance 6/30/2004
<u>ASSETS</u>				
Cash	6,209	576,459	579,160	3,508
<u>LIABILITIES</u>				
Due to Other Funds	242	219	-	461
Due to Other Governmental Units	5,967	-	2,920	3,047

The Notes to Financial Statements are an integral part of this statement.

Foote and Lloyd
CERTIFIED PUBLIC ACCOUNTANTS
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CERTIFIED PUBLIC ACCOUNTANTS

MICHIGAN ASSOCIATION
CERTIFIED PUBLIC ACCOUNTANTS

*FLORIDA INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

Mr. Thomas Hughes, Supervisor
Leonidas Township
St. Joseph County, Michigan

Dear Mr. Hughes:

Enclosed you will find your copies of the audit report for Leonidas Township for the fiscal year ended June 30, 2004. During the course of our audit, several areas came to our attention which bear comment, including comments made in previous audits, as follows:

BUDGETS

We commend you for implementing many of our suggestions in our June 20, 2002 letter. However, there were a few expense line items which were over budget. Care should be taken to amend the budget so as not to overspend for specific line items. Also, expenditures financed by grants should be budgeted for as well as the grant proceeds.

TAX DISBURSEMENTS

The Township collects taxes for various taxing authorities, including the county and several school districts. According to law, the disbursements are to be made within ten (10) working days after the 1st and 15th of the month unless you have a specific mutual agreements otherwise. The final disbursements should be made in March prior to settlement. We commend you for doing so much better with being timely.

DEBT

Permission was not obtained from the State of Michigan for any of the loans from the bank which were owed on June 30, 2004. We commend you, however, for getting permission for the bank loan which has been subsequently obtained.

Foote and Lloyd

CERTIFIED PUBLIC ACCOUNTANTS

Battle Creek, Michigan
May 25, 2005